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Cattle slaughter running close to a year ago

By CAROL RYAN DUMAS Capital Press
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John Nalivka, owner of Sterling Marketing, a Vale, Ore. consulting firm for the red meat industry.

Carol Ryan Dumas/Capital Press File

BURLEY, Idaho — Slaughter plants are running closer to capacity and the backlog of cattle is shrinking as the industry shifts back into high gear after temporary COVID-19-related closures knocked it back on its heels, a marketing expert says.

Disruptions in meatpacking and beef demand due to the pandemic have thrown cattle markets into chaos over the last couple of months, fueling uncertainty about what the “new normal” might be.

But the industry will find a road back to normal and predictable activity, John Nalivka, president and owner of Sterling Marketing in Vale, Ore., told cattle producers at the Idaho Cattle Association annual summer conference on Monday.

In fact, “new normal” isn’t even in his vocabulary. The industry will get back to knowing what’s going on, he said.

On the supply side, the top topic is the backlog of cattle due to packing plant closures and slowdowns — and he doesn’t think it’s as big as some have estimated. Tracing back through the process, he thinks the backlog is about 500,000 head, much less than the 1.0 million to 1.5 million estimated by other industry analysts.

“We came into the year with a pretty big number of cattle on feed,” he said.

But the number of cattle on feed on June 1 was down slightly from a year earlier. If the backlog were so big, that number would still be large, he said.

At the lowest point in the pandemic, processing was down 50% to 55%. But for

the past two weeks, it's been pretty close to a year ago, he said.

Last week, 516,000 head of fed cattle were slaughtered. That's about 90% of capacity utilization at kill plants, which is 566,000 head a week. At the same time last year, slaughter was at 95% of capacity, he said.

Average capacity utilization from the first of 2019 through March 2020 was about 88%. Slaughter last week was unchanged from the previous week and only down about 4% from a year earlier, he said.

"That's all positive," he said.

The real issue is weight. The industry came into the year with record heavy weights on fed cattle, and they've only gotten heavier since Jan. 1, he said.

"That's really the issue for beef production," he said.

Heifer slaughter year to date is down 5% year over year but weights are up an average of 23 pounds. Steer slaughter is down 8%, but weights are up an average of 30 pounds. Combined steer and heifer weights are up 28 pounds year over year after being down 4 pounds in 2019, he said.

Another issue is calves that didn't get placed into feedlots in April and May. They went back out on grass and will be placed this summer and early fall,

adding to the beef supply through the first quarter of next year, he said.

While beef production is down 2% from a year ago at this point, he expects it'll be about 1% higher for the year.

As for cattle prices, fed choice steers would be \$115 to \$120 a hundredweight if everything were working correctly. But that price is now \$100 to \$105, and feedlot breakevens are at \$118, he said.

Feeder cattle prices during the pandemic bottomed out at \$115 for 700- to 800-pound steers. That price is now about \$130, he said.

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